

# ARIZONA TAX NEWS



Jane Dee Hull, Governor

Mark W Killian, Director

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**REMOVE YOUR NAME FROM  
THE TPT MAILING LIST**

## USE TAX DIRECT PAYMENT PERMIT AVAILABLE

Effective January 1, 2003, A.R.S. § 42-5167 provides that purchasers making *out-of-state* purchases that exceed \$500,000 in the preceding calendar year, may elect to pay the use taxes owed on those purchases directly to the department. A valid use tax direct pay permit will allow the holder of the permit to self-assess and pay directly to the department the use tax due for all tangible personal property subject to use tax. A vendor subject to tax under the transaction privilege tax shall not accept a use tax direct payment permit or certificate to relieve the vendor of its transaction privilege tax liability.

Under the statute, the department is authorized to publish a list of use tax direct payment permit holders and their tax identification numbers. This list will be maintained as a reference point for out-of-state vendors wishing to verify that the customer is a permit holder and that the permit is valid.

Purchasers wishing to obtain a use tax direct payment permit can do so by applying with the department. The application for the direct payment permit will be available on the department's website in the next few weeks.

## E-Mail Your Questions

We will gladly respond to any e-mail technical tax inquiry. E-mail your question to:

TaxpayerAssistance@revenue.state.az.us

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

## RIO NUEVO INFORMATION

Beginning with the October 2002 TPT-1, taxable activity and collections occurring in the Rio Nuevo District must be reported separately. The code **PAD** should be used in place of PMA for all business activity occurring within Rio Nuevo in the Business Classes listed below. Activity will continue to be reported by TPT class. The tax rate applied to **PAD** Business Classes will remain the same as that applied to PMA Business Classes.

For example, if your business has activity within the Rio Nuevo District in Pima County and it has taxable retail transactions, that activity should be listed on the TPT-1 return in PAD 017 instead of PMA 017. All transactions not located in the Rio Nuevo District should continue to be filed under the specific county code. If your business has multiple locations within Pima County, only the

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# \*\*\* REMINDER \*\*\*

## FOR NON-EFT TPT FILERS

To avoid a delinquency, postmark your November 2002 TPT return no later than December 26, 2002 or deliver to DOR no later than December 30, 2002.

## SEPTEMBER SUMMARY OF GENERAL FUND REVENUES

	September 2002	Fiscal Year Total
<b>Individual Income Tax</b>		
Net Collections	\$197,115,671	\$471,544,765
Percent Change *	.02%	(6.4%)
<b>Corporate Income Tax</b>		
Net Collections	\$72,339,942	\$98,684,370
Percent Change *	(16.6%)	(11.3%)
<b>Transaction Privilege, Severance &amp; Use Taxes</b>		
Net Collections	\$249,790,525	\$751,202,273
Percent Change *	2.5%	1.5%
<b>Total Big Three Tax Types</b>		
Net Collections	\$519,246,138	\$1,321,431,408
Percent Change *	(6.5%)	(4.5%)

( ) Decrease from same month last year.

\* Percent change from same month last year.

## Individual Income Tax Individual Income Tax Receipts

	September 2002	September 2001	%
Gross Collections	\$68,951,388	\$76,443,612	(9.8)
Withholding	174,722,202	169,294,507	3.2
Refunds	(10,677,997)	(13,841,273)	(22.9)
Urban Rev Sharing	(35,879,921)	(35,156,381)	2.1
<b>Net Collections</b>	<b>\$197,115,671</b>	<b>\$196,740,464</b>	<b>0.2</b>
<b>Fiscal Year Total (02/03)</b>		<b>(01/02)</b>	<b>%</b>
Gross Collections	\$89,775,692	\$100,519,100	(10.7)
Withholding	541,269,757	559,700,886	(3.3)
Refunds	(51,860,921)	(50,933,463)	1.8
Urban Rev Sharing	(107,639,763)	(105,469,143)	2.1
<b>Net Collections</b>	<b>\$471,544,765</b>	<b>\$503,817,390</b>	<b>(6.4)</b>

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. After offsetting \$54,106 in tax liability, refunds for this credit totaled \$251,453. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit.

## TAX CALENDAR

### DECEMBER 2002

Due Date		For Period Ending
16	Income Tax Returns:	8/31/02
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
16	Form 120: Corporation with Automatic Extension	2/28/02
16	Form 120S: S Corporation	9/30/02
16	Exempt Organizations	7/31/02
	Form 99: Annual Information Return	
	Form 99T: Exempt Organization	
16	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	8/31/03
	Second Installment	6/30/03
	Third Installment	3/31/03
	Fourth Installment	12/31/02
20	Form TPT-1: Transaction Privilege Tax:	
	November Monthly Filers	11/30/02
20	Bingo: Financial Reports	11/30/02
20	Luxury Tax: Various Forms	11/30/02
25	State Holiday - Christmas	All State Offices Closed
26	EFT Form TPT-1 and Payment:	
	Transaction Privilege Tax:	
	November Monthly Filers	11/30/02
	Withholding Tax Payment Information:	

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters exceeds \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters does not exceed \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from: **Diane Sosinski** or **Tony Manzo** at (602) 542-4672.

## **ALTERNATIVE FUEL VEHICLE REPORT FOR OCTOBER, 2002**

For the period of October 1 through October 31, 2002, the department received 51 individual income tax returns with claims for alternative fuel related credits totaling \$1.0 million. A total of 5,612 individual income tax returns with claims have been received from January 2001 through October 2002, totaling \$103.8 million in credit. The department received 18 corporate income tax returns in October with claims for totaling \$1.5 million in alternative fuel related credits. A total of 212 corporate income tax returns with claims have been received from January 2001 through October 2002, totaling \$19.5 million in credit.

- The dollar amount of verified credits claimed in the preceding calendar month not used to offset income taxes under title 43, Arizona Revised Statutes.

For the period October 1 through October 30, 2002, the department issued eight individual income tax refunds for alternative fuel related credits. There was \$124,781 in AFV credits on these returns. After offsetting \$25,722 in liability, \$99,059 was refunded. The department issued seven corporate refunds for alternative fuel related credits. There was \$263,867 in AFV credit on these returns. After offsetting \$27,603 in liability, \$236,264 was refunded.

The total for this refundable credit since the inception of the program (both corporate and individual) is \$14,696,094 in liability offset and \$101,670,277 in refunds sent out, for a total cost of \$116,366,371. (Liability offset means that the credit is first used to reduce any tax liability on the tax return to \$0.)

Combining the corporate and individual income tax return amounts results in \$335,323 that should be transferred from the Budget Stabilization Fund into the General Fund for October 2002. In fiscal year 01, \$66,360,441 was paid from the Budget Stabilization Fund into the General Fund; for fiscal year 02, \$33,277,654 was paid from the Budget Stabilization Fund into the General Fund. In this fiscal year, \$2,032,182 is the total to be paid from the Budget Stabilization Fund, putting the overall total coming from the Budget Stabilization Fund for alternative fuel vehicle credits at \$101,670,277.

- The cumulative dollar amount of the credits claimed in all taxable years, beginning from and after December 31, 2000.

The cumulative dollar amount of credits (individual and corporate) claimed is \$123.4 million.

- Any estimated amounts remaining to be claimed as credits in each fiscal year. Through October 2002, 5,824 (corporate and individual) claims have been received. Those claims reviewed include 5,575 claims for 6,208 vehicles, claims for 31 refueling stations and claims for 719 refueling apparatuses. (Claims that have not yet been reviewed are not included in this count.) While most returns for 2000 filers have been received, there may be additional claims made through late filers and amended returns. Also, there are taxpayers who are first qualifying for a credit on their 2001 tax returns. At this time, the department has no independent means of estimating the amount yet to be claimed.

If you should have any questions, please contact Anthony Forschino at (602) 542-4672.

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## B.R.I.T.S. FOR DECEMBER

The BRITS project is proceeding according to plan with new hardware and software arriving at DOR. Data from the old mainframe system is being purified now for conversion to the new environment. Purification includes a new program for credit validation. The first tax type to move to the new environment is the Transaction Privilege Tax (TPT) System. Once in the new environment, all of the activity associated with TPT, including registration, collections, audit, and processing will also be available in a single system that is fully integrated. This will greatly enhance the ability of DOR employees to provide improved service to our business and practitioner communities.

Congratulations to Accenture! They have been cited for being "Best in Breed" by the Center for Digital

Government. The Center recently reviewed over 1500 government technology projects. Seven government categories had either 3 or 4 winners, but "Taxation" had only 1 – the Indiana Department of Revenue's Returns Processing System. Accenture is the company that delivered Indiana's reengineering product. That product will be modified to comply with the Department of Revenue's requirements and implemented here over the next four years.

In the November issue, we published a link to the BRITS Timeline. The timelines were not available using this link. We have corrected the error and the timeline is now available for view. Simply use the link below to access our Homepage, click on BRITS Reengineering, then click on "Plan Timeline." What you will see is a chart that describes the core projects timelines. We regret the error in last month's TaxNews.

<http://www.revenue.state.az.us/brits/brits.htm>

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taxable transactions at the locations within the Rio Nuevo District should be filed under **PAD**. All remaining taxable activity should be filed under PMA.

Affected Business Classes:

001 Transporting

002 Mining-Nonmetal

004 Utilities

005 Communications

006 Railroad, Air

007 Private Car

008 Pipelines

009 Publication

010 Job Printing

011 Restaurants and Bars

012 Amusements

014 Personal Property Rental

015 Contracting-Prime

017 Retail

025 Transient Lodging

If you have questions about how to fill out your return, contact the Department's Taxpayer Information & Assistance Section at (602) 255-2060 or (800) 843-7196.

## Non Profit Organizations Q&A ...

This article provides general and statutory information about the Arizona tax status of non-profit organizations. In the case of inconsistency, error, or omission in this article, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

Sidney Kaufman, a DOR Corporate Auditor, took the opportunity to provide us with answers to questions that are commonly asked of him with regards to non-profit organizations.

Question: I have a client that is a non-profit organization. What do I do?

Answer: Does your tax-exempt organization have a Determination Letter issued by the Internal Revenue Service (IRS)?

Question: No. How do we go about getting one?

Answer: Call the IRS in Cincinnati, Ohio at their toll free number: (877) 829-5500. There may be a fee imposed and the processing time may take several months.

Question: Do we have to have a determination letter from the IRS?

Answer: It depends upon the type of non-profit organization. Organizations such as Churches, their integrated auxiliaries, and conventions or associations of churches or any organization which is not a private foundation and the gross receipts are not normally more than \$5,000 annually do not have to file an application and receive a determination letter. However, we would recommend that you do in order to protect yourself and contributors from uncertainty with regards to your tax-exempt status and

entitlement to tax related benefits.

For the most part, Organizations other than those listed above will need to have a determination letter.

Any questions relative to the need for a determination letter should be directed to the IRS' toll free number.

Question: Assuming, we receive a determination letter from the IRS do we also apply for a letter from the Arizona Department of Revenue (ADOR)?

Answer: No. There is no need to apply with us for a determination letter, because we accept the IRS' determination. We may ask for a copy of the determination letter from the IRS to verify your tax-exempt status.

However, be aware that the income tax exemption does not extend to other types of taxes i.e. (sales, use tax, property, etc.).

Question: Does the client have to file any annual reports to the State?

Answer: Arizona Revised Statutes provides for filing requirements for Tax Exempt Organizations as follows:

### **43-342. Returns by exempt organizations**

Every organization which is exempt from taxation under section 43-1201 shall file an information return for the taxable year unless such organization is specifically exempted from filing a return by the provisions of section 43-1242. Every return filed under this section shall contain all information required by this article and by section **43-1241**.

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**43-1241 . Returns of unrelated business income**

Every organization, otherwise exempt under section 43-1201 but having unrelated business taxable income, shall:

1. File a return, verified by an executive officer under penalties of perjury in the form prescribed by the department on or before the fifteenth day of the fifth month after the close of the taxable year, reporting its income from such activities.
2. Pay a tax at the rates prescribed in section 43-1111 on its unrelated business taxable income as defined in section 43-1231.

**43-1242 . Information returns of tax exempt organizations**

A. Every organization exempt under section 43-1201 shall file a return except:

1. A religious organization exempt under section 43-1201, paragraph 4.
2. An educational organization exempt under section 43-1201, paragraph 4, if such organization normally maintains a regular faculty and students in attendance at the place where its educational activities are regularly carried on.
3. A charitable organization, or an organization for the prevention of cruelty to children or animals, exempt under section 43-1201, paragraph 4, if such organization is supported, in whole or in part, by funds contributed by the United States or any state or political subdivision thereof or is primarily supported by contributions of the general public.
4. An organization exempt under section 43-1201, paragraph 4, if such organization is operated, supervised or controlled by or in connection with a religious organization described in paragraph 1 of this subsection.
5. An organization exempt solely under section 43-1201, paragraph 2.

B. Such return shall be filed annually, at such time and in such manner as the

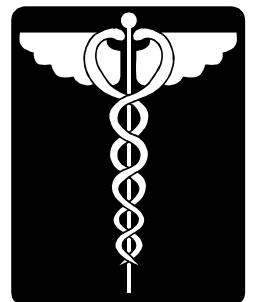
department may prescribe by rule, setting forth:

1. Its gross receipts for the year.
2. Its expenses attributable to such income and incurred within the year.
3. Its disbursements within the year for the purposes for which it is exempt.
4. Its accumulation of income within the year.
5. Its aggregate accumulations of income at the beginning of the year.
6. Its disbursements out of principal in the current and prior years for the purposes for which it is exempt.
7. A balance sheet showing its assets, liabilities and net worth as of the beginning of such year.
8. Such other information as the department may prescribe by rule.

C. An organization otherwise required to file the return specified in subsection A of this section:

1. Need not file it if its gross income does not exceed twenty-five thousand dollars.
2. May comply with this section by filing a copy of the organization's federal "return of organization exempt from income tax" with the department.

For additional information please contact Sidney Kaufman at (602) 542-3345 Extension 4507.



## REMOVE YOUR NAME FROM THE TPT-1 MAILING LIST

To better serve business owners and reduce costs, we are now able to discontinue sending TPT-1 reporting forms to licensees who no longer need the paper form. We know that many businesses use computer software or download forms from the internet. If you no longer need to be mailed forms, please let us know by filling out the bottom portion of this page and sending it to License & Registration, P.O. Box 29069, Phoenix, AZ, 85038-9069 or call us at 602-255-2060.

TPT- 1 forms are still available by:

- Accessing our website at [www.revenue.state.az.us](http://www.revenue.state.az.us) and selecting the Forms option. You may print blank forms or use the fillable forms.
- Using the A-Z Taxes for Small Business program. This program is available through our website at [www.revenue.state.az.us](http://www.revenue.state.az.us) and selecting A-Z Taxes for Small Business. This program, also available in a CD version, provides Arizona tax

information and assists you in the completion of the TPT-1 forms and other reporting forms.

- Going to any of our four Offices located at:
  - 1.1600 West Monroe, Phoenix
  - 2.Tucson Government Mall, 400 W. Congress, Tucson
  - 3.East Valley 3191 N. Washinton Street, Chandler
  - 4.North Valley 2902 W. Agua Fria Freeway, Phoenix

By selecting the option to discontinue mailings, you do not have to wait for your form to arrive before completing and remitting your TPT-1. You will be accessing the most current tax rate and other information from our website. You can use an interactive program to complete your forms in an easy, step-by-step process.

When you elect to be removed from our mailing list, your due dates for filing timely returns will not change.



Please remove me from the TPT-1 mailing list.

License Number \_\_\_\_\_ Business Name \_\_\_\_\_

Business Address \_\_\_\_\_

Contact Name \_\_\_\_\_ Phone Number \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_



Arizona Department of Revenue, sponsored by AFIT, will be presenting Arizona Tax Talk 2002 in Tempe, Tucson, and Glendale. The two-day seminar will include individual income tax and business tax. Cost of the program is \$125. Dates and locations include:

December 3 & 4, 2002      Sheraton Phoenix Airport Hotel Tempe  
   1600 S 52<sup>nd</sup> St  
December 10 & 11, 2002    Tucson Convention Center  
   260 S Church Ave  
December 17 & 18, 2002    Glendale Civic Center  
   5750 W Glenn Dr.



DOR & IRS personnel will make presentations on a variety of topics. Including e-Government, Tax Updates, Construction Industry, Offers in Compromise, Community Property, Burden Reduction, **Third Party Authorization and Alternative Agreements**. The Department of Revenue will be providing representation from the Ombudsman office to address questions that you might have. Additionally personnel from the Internal Revenue Service's Taxpayer Advocacy office will be available for questions etc. each day of Tax Talk except December 11 in Tucson. This will be a great opportunity to meet the Taxpayers Advocate staff.

Additional information is available on the department's Internet website, [www.revenue.state.az.us/seminar.htm](http://www.revenue.state.az.us/seminar.htm) . For more information, please call Community OutReach and Education at 602-542-3062 (or outside Maricopa County 1-877-863-0655) or email at [seminars@revenue.state.az.us](mailto:seminars@revenue.state.az.us)